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MILLENNIUM CHALLENGE CORPORATION

MCC FR 19-10

Report on the Selection of Eligible Countries for Fiscal Year 2020

AGENCY: Millennium Challenge Corporation

ACTION: Notice

SUMMARY: This report is provided in accordance with section 608(d)(2) of the Millennium Challenge Act of 2003, as amended (the “Act”), 22 U.S.C. 7707(d)(2).

Dated: December 13, 2019.

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*Acting VP/General Counsel and Corporate Secretary.*

## **Report on the Selection of Eligible Countries for Fiscal Year 2020**

### **SUMMARY**

This report is provided in accordance with section 608(d)(1) of the Millennium Challenge Act of 2003, as amended (the Act) (22 U.S.C. 7707(d)(1)).

The Act authorizes the provision of assistance under section 605 of the Act (22 U.S.C. 7704) to countries that enter into compacts with the United States to support policies and programs that advance the progress of such countries in achieving lasting economic growth and poverty reduction, and are in furtherance of the Act. The Act requires the Millennium Challenge Corporation (MCC) to determine the countries that will be eligible to receive assistance for the fiscal year, based on their demonstrated commitment to just and democratic governance,

economic freedom, and investing in their people, as well as on the opportunity to reduce poverty and generate economic growth in the country. The Act also requires the submission of reports to appropriate congressional committees and the publication of notices in the *Federal Register* that identify, among other things:

1. The countries that are “candidate countries” for assistance for fiscal year (FY) 2020 based on their per-capita income levels and their eligibility to receive assistance under U.S. law, and countries that would be candidate countries but for specified legal prohibitions on assistance (section 608(a) of the Act (22 U.S.C. 7707(a)));
2. The criteria and methodology that the Board of Directors of MCC (the Board) will use to measure and evaluate the policy performance of the “candidate countries” consistent with the requirements of section 607 of the Act in order to determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act (22 U.S.C. 7707(b))); and
3. The list of countries determined by the Board to be “eligible countries” for FY 2020, with justification for eligibility determination and selection for compact negotiation, including with which of the eligible countries the Board will seek to enter into compacts (section 608(d) of the Act (22 U.S.C. 7707(d))).

This is the third of the above-described reports by MCC for FY 2020. It identifies countries determined by the Board to be eligible under section 607 of the Act (22 U.S.C. 7706) for FY 2020 with which the MCC will seek to enter into compacts under section 609 of the Act (22 U.S.C. 7708), as well as the justification for such decisions. The report also identifies countries selected by the Board to receive assistance under MCC’s threshold program pursuant to section 616 of the Act (22 U.S.C. 7715).

## **ELIGIBLE COUNTRIES**

The Board met on December 9, 2019, to select those eligible countries with which the United States, through MCC, will seek to enter into a Millennium Challenge Compact pursuant to section 607 of the Act (22 U.S.C. 7706). The Board selected the following eligible country for such assistance for FY 2020: Mozambique. The Board also selected the following previously-selected countries for compact assistance for FY 2020: Benin, Burkina Faso, Côte d'Ivoire, Indonesia, Lesotho, Malawi, Niger, Timor-Leste, and Tunisia.

## **Criteria**

In accordance with the Act and with the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2020” formally submitted to Congress on September 18, 2019, selection was based primarily on a country’s overall performance in three broad policy categories: *Ruling Justly*, *Encouraging Economic Freedom*, and *Investing in People*. The Board relied, to the fullest extent possible, upon transparent and independent indicators to assess countries’ policy performance and demonstrated commitment in these three broad policy areas. The Board compared countries’ performance on the indicators relative to their income-level peers, evaluating them in comparison to either the group of countries with a GNI per capita equal to or less than \$1,925, or the group with a GNI per capita between \$1,925 and \$3,995.

The criteria and methodology used to assess countries on the annual scorecards are outlined in the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2020<sup>1</sup>”. Scorecards reflecting each country’s performance on the indicators are available on MCC’s website at [www.mcc.gov/scorecards](http://www.mcc.gov/scorecards).

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<sup>1</sup> Available at <https://www.mcc.gov/resources/doc/report-selection-criteria-methodology-fy20>

The Board also considered whether any adjustments should be made for data gaps, data lags, or recent events since the indicators were published, as well as strengths or weaknesses in particular indicators. Where appropriate, the Board took into account additional quantitative and qualitative information, such as evidence of a country's commitment to fighting corruption, investments in human development outcomes, or poverty rates. In keeping with legislative directives, the Board also considered the opportunity to reduce poverty and promote economic growth in a country, in light of the overall information available, as well as the availability of appropriated funds.

The Board sees the selection decision as an annual opportunity to determine where MCC funds can be most effectively used to support poverty reduction through economic growth in relatively well-governed, poor countries. The Board carefully considers the appropriate nature of each country partnership -- on a case-by-case basis -- based on factors related to economic growth and poverty reduction, the sustainability of MCC's programs, and the country's ability to attract and leverage public and private resources in support of development.

This was the second year the Board considered the eligibility of countries for concurrent compacts. In addition to the considerations for compact eligibility detailed above, the Board considered whether a country being considered for a concurrent compact is making considerable and demonstrable progress in implementing the terms of its existing Compact.

This was the eleventh year the Board considered the eligibility of countries for subsequent compacts, as permitted under section 609(l) of the Act. MCC's engagement with partner countries is not open-ended, and the Board is deliberate when selecting countries for follow-on partnerships, particularly regarding the higher bar applicable to subsequent compact countries. In making these selection decisions, the Board considered -- in addition to the criteria

outlined above – the country’s performance implementing its first compact, including the nature of the country’s partnership with MCC, the degree to which the country has demonstrated a commitment and capacity to achieve program results, and the degree to which the country has implemented the compact in accordance with MCC’s core policies and standards. To the greatest extent possible, these factors were assessed using pre-existing monitoring and evaluation targets and regular quarterly reporting. This information was supplemented with direct surveys and consultation with MCC staff responsible for compact implementation, monitoring, and evaluation. MCC published a Guide to Supplemental Information<sup>2</sup> and a Guide to the Compact Survey Summary<sup>3</sup> in order to increase transparency about the type of supplemental information the Board uses to assess a country’s policy performance and compact implementation performance. The Board also considered a country’s commitment to further sector reform, as well as evidence of improved scorecard policy performance.

In addition, this is the fourth year where the Board considered an explicit higher bar for those countries close to the upper end of the candidate pool, looking closely in such cases at a country’s access to development financing, the nature of poverty in the country, and its policy performance.

### **Countries newly selected for compact assistance**

Using the criteria described above, one candidate country under section 606(a) of the Act (22 U.S.C. 7705(a)) was newly selected for assistance under section 607 of the Act (22 U.S.C. 7706): Mozambique. In accordance with section 609(k) of the Act, no candidate countries were newly selected to explore development of a concurrent compact program under section 607 of the Act (22 U.S.C. 7706).

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<sup>2</sup> Available at <https://www.mcc.gov/resources/doc/guide-to-supplemental-information-fy20>

<sup>3</sup> Available at <https://www.mcc.gov/resources/doc/guide-to-the-compact-survey-summary-fy20>

**Mozambique:** Mozambique successfully completed its first MCC compact in September 2013 and has recently demonstrated encouraging policy improvement on the MCC scorecard, passing 13 of 20 indicators, with clear improvement on its Control of Corruption score. A new compact would build on the country's continued commitment to sector reform and MCC's strong relationship with the country developed under the first compact partnership. By selecting Mozambique for a compact, MCC will support the government's efforts to strengthen economic growth to reduce poverty.

### **Countries selected to continue compact development**

Nine of the countries selected for compact assistance for FY 2020 were previously selected for FY 2019. **Burkina Faso, Indonesia, Lesotho, Malawi, Timor-Leste, and Tunisia** were selected to continue developing bilateral compacts. **Benin, Burkina Faso, Côte d'Ivoire, and Niger** were selected to continue developing concurrent compacts for the purpose of regional integration. Selection of these countries for FY 2020 was based on their continued or improved policy performance since their prior selection.

### **Countries selected to receive threshold program assistance**

The Board selected Kenya to receive threshold program assistance.

**Kenya:** Kenya offers MCC the opportunity to engage with the country on policy and institutional reform. Kenya is an important partner in East Africa, where MCC's presence is growing. Although Kenya has not previously passed the Control of Corruption indicator on the MCC scorecard, its performance rose to the 50<sup>th</sup> percentile this year (a country must score above the 50<sup>th</sup> percentile to pass the indicator). More broadly, Kenya passes 15 of 20 indicators overall on the scorecard, including the Democratic Rights "hard hurdle" indicators.

### **Countries selected to continue developing threshold programs**

The Board selected **Ethiopia** and **Solomon Islands** to continue developing threshold programs. Ethiopia has continued on its reform path and saw improvements on the democratic rights “hard hurdle” indicators of political rights and civil liberties this year. Solomon Islands held successful elections in April 2019 and continues apace with program development.

#### **ONGOING REVIEW OF PARTNER COUNTRIES’ POLICY PERFORMANCE**

The Board emphasized the need for all partner countries to maintain or improve their policy performance. If it is determined during compact implementation that a country has demonstrated a significant policy reversal, MCC can hold it accountable by applying MCC’s Suspension and Termination Policy<sup>4</sup>.

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<sup>4</sup>Available at <https://www.mcc.gov/resources/doc/policy-on-suspension-and-termination>

